

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7545**

**BILL NUMBER:** HB 1221

**NOTE PREPARED:** Jan 18, 2007

**BILL AMENDED:**

**SUBJECT:** Unemployment Compensation Maximum Wage Credits.

**FIRST AUTHOR:** Rep. Cheney

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
☒ FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill raises the maximum wage credit for unemployment compensation computation purposes from \$9,250 to \$9,950.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** (Revised) The bill increases the maximum wage credit from \$9,250 to \$9,950. The increase would increase the maximum weekly benefit from \$390 to \$418 (calculated as 5% of the first \$2,000, plus 4% of the difference between the lesser of the maximum wage credit or wages and \$2,000).

The increase in the maximum weekly benefit is about 7.2%. The increase in payout would be less than 7.2% since about 63% of claimants receive less than the maximum so only 37% of the claimants would receive an increase.. The Unemployment Insurance Fund paid about \$649.2 M in benefits for FY 2006. The increase in payout due to the change is estimated to be \$17.3 M (7.2% \*37%\*\$649.2 M).

The state paid about \$8.4 M in unemployment benefits for FY 2006. The increase in state cost would be about \$378,000.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The increase in local expense would be as an employer.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Workforce Development; All.

**Local Agencies Affected:** All.

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.